



Property Casualty Insurers
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. No. 5510 – AN ACT PROHIBITING THE USE OF CREDIT HISTORIES AS A FACTOR IN UNDERWRITING OR RATING PRIVATE PASSENGER MOTOR VEHICLE INSURANCE POLICIES

COMMITTEE ON INSURANCE AND REAL ESTATE

February 14, 2013

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on House Bill No. 5510, legislation that prohibits insurers from considering a consumer's credit history in the underwriting and rating of automobile liability insurance. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI member companies write approximately 49 percent of all personal lines insurance sold in Connecticut.

When insurers are able to properly underwrite risks, consumers benefit with lower rates, more choices and greater market stability. Toward that end, PCI supports the ability of insurers to consider underwriting and rating criteria that are objective and supported by statistical evidence. Accordingly, PCI strongly opposes House Bill No. 5510.

The federal Fair Credit Reporting Act first authorized insurers to consider credit information nearly 40 years ago. Within the past 15 years, however, the use of credit information in insurance has grown exponentially as insurers improved upon its use and realized just how predictive it is. Credit-based insurance scoring (also alternatively referred to simply as insurance scoring) is an objective and accurate method for assessing the likelihood and severity of insurance loss. Insurers that consider credit information in their underwriting and pricing decisions do so for only one reason – insurance scoring allows them to rate and price business with a greater degree of accuracy and certainty. Sound underwriting and rating, in turn, allows insurers to write more business - a direct benefit for consumers.

It is important to understand how insurers use credit information and to note that there are significant differences between the credit scores used by lenders and the credit-based insurance scores used by many insurers. Although both are derived from information found on credit reports, the information is measured differently. Insurers use credit information in developing insurance scores to predict the likelihood of future insurance loss. Credit-based insurance scores provide an objective measurement of how one manages the risk of credit. Lending institutions, on the other hand, use credit scores to determine the availability, amount and price of credit products offered to the consumer. Lending institutions use credit to determine the likelihood of repayment. The most

Credit-based insurance scoring is an effective tool for insurers - and a fair one for consumers. To protect competition and consumer choice, it is imperative that insurers be permitted to fully price risks using nondiscriminatory and statistically valid tools available to them.

For the foregoing reasons, PCI urges your Committee NOT to advance this bill.